

Alan F. Ciamporcero  
Vice President

1725 Pennsylvania Avenue, N.E.  
Washington, D.C. 20002  
(202) 383-6400

EX-107-96-0001 ORIGINAL

**PACIFIC X TELESIS**  
Group - Washington

July 10, 1996

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JUL 10 1996

Federal Communications Commission  
Office of Secretary

**EX PARTE**

William F. Caton  
Acting Secretary  
Federal Communications Commission  
Mail Stop 1170  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

Dear Mr. Caton:

Re: CC Docket No. 96-98, Interconnection

Yesterday, we faxed the attached material to Jim Schlichting in response to his request. Please associate this with the above referenced proceeding.

We are submitting two copies of this notice in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,

*Alan F. Ciamporcero*

CH1

John W. Bogy  
Senior Counsel  
Legal Department

140 New Montgomery St.  
San Francisco, California 94111  
(415) 547-7634

**PACIFIC**  **TELESIS**  
Legal Group

BY FACSIMILE and  
BY FEDERAL EXPRESS

July 9, 1996

Mr. James D. Schlichting  
Chief, Competitive Pricing Division  
Common Carrier Bureau  
Federal Communications Commission  
Mail Stop Code 1600C  
1919 M Street, NW, Room 518  
Washington, DC 20554

Re: CC Docket No. 96-98: Implementation of the Local Competition Provisions of  
the Telecommunications Act of 1996

Dear Mr. Schlichting:

This responds to your request that we file further information about the Cost Proxy Model ("CPM") that was co-produced by Pacific Bell and INDETEC International.

The CPM can identify proxy costs at a highly granular level of detail. It can estimate costs for individual components or "elements" of any network, or for any aggregation of those components. It can be run using a number of different geographical grids, such as central offices, census block groups, cities, counties, or states. The "nationwide" results of other models proposed for use in setting network element prices, such as the Hatfield model, are essentially an average of costs that may have been selected from atypical or widely different networks or geographical areas (such as urban California and rural New Hampshire) to reach a predetermined result. In contrast, the CPM is a true nationwide model. In two to three weeks, using commercially available data, it can estimate component-level costs that are actually specific to any LEC and any state in the country. (Obviously, the CPM -- like all proxy models -- implies nothing about the technical feasibility of unbundling the "elements" whose costs it measures.)

INDETEC ran the CPM for seven density zones in California.

Letter to James D. Schlichting

July 9, 1996

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The results of that run are attached. In summary, CPM found:

	<u>Link</u>	<u>Port</u>	<u>LSW MOU</u> <u>(\$ per line)</u>	<u>LSW MSG</u> <u>(\$ per line)</u>
Zone 1 (77,082 lines)	104.13	4.95	2.67	0.43
Zone 2 (268,128 lines)	40.89	4.79	2.65	0.42
Zone 3 (348,418 lines)	32.36	4.34	2.58	0.41
Zone 4 (768,422 lines)	20.24	4.07	2.49	0.39
Zone 5 (3,260,958 lines)	16.44	3.70	2.41	0.36
Zone 6 (5,820,827 lines)	14.14	3.49	2.48	0.36
Zone 7 (2,251,089 lines)	11.43	3.20	2.19	0.31

All these costs are per month. They are marked up 31% over TSLRIC to account for shared and common costs. The shared and common factor was derived by dividing Pacific Bell's total forward-looking shared and common costs by the total of its TSLRICs.

We are running the model now to produce tandem switching costs and should have those by the end of this week. CPM also can be upgraded in a relatively short time to produce component costs for signalling and interoffice transport.

We hope this information assists you. For more detail, we invite you to review the more elaborate description of the CPM that Dr. Richard Emmerson provided in the Declaration he filed with our Reply Comments on May 30, 1996.

We are filing a copy of this letter with the Secretary's office. If you have any questions, please do not hesitate to call me.

Sincerely,



INDETEC International and Pacific Bell

Cost Proxy Model © 1996

# CPM DETAIL REPORT: UNBUNDLED LINK - STATEWIDE AVERAGE

COST PROXY MODEL: UNIVERSAL SERVICE EDITION  
UNBUNDLED LOOP  
STATE SPECIFIC DATA - ALL STATES, ALL COMPANIES

STATE : CA  
LINES : 12,794,983

FAMILY	ELEMENT	NON-CABLE QUANTITY	CABLE LENGTH (FT)	INVESTMENT (S)	REVENUE (\$/MO)	OPERATING EXPENSE (\$/MO)	CAPITAL COST (\$/MO)
DST	AER_CU		342	19.04	\$0.00	\$0.00	\$0.30
	BUR_CU		1,623	183.12	\$0.00	\$0.00	\$2.16
	COND_CU	538 (FT)		23.49	\$0.00	\$0.00	\$0.24
	DROP	1.00		51.98	\$0.00	\$0.00	\$0.73
	POLE_CU	342 (FT)		18.17	\$0.00	\$0.00	\$0.20
	TERMINAL	1.00		53.38	\$0.00	\$0.00	\$0.77
	UGD_CU		538	19.98	\$0.00	\$0.00	\$0.29
DST	XXX		2,503	339.07	\$0.00	\$0.00	\$4.69
FDR	AER_CU		217	4.79	\$0.00	\$0.00	\$0.07
	AER_FO		839	6.28	\$0.00	\$0.00	\$0.08
	BUR_CU		51	2.25	\$0.00	\$0.00	\$0.03
	BUR_FO		221	3.12	\$0.00	\$0.00	\$0.04
	COND_CU	2,655 (FT)		25.24	\$0.00	\$0.00	\$0.26
	COND_FO	3,852 (FT)		8.39	\$0.00	\$0.00	\$0.08
	COND_FO9	2,523 (FT)		6.90	\$0.00	\$0.00	\$0.07
	PAIR_GN	0.43		141.88	\$0.00	\$0.00	\$2.45
	POLE_CU	217 (FT)		3.21	\$0.00	\$0.00	\$0.04
	POLE_FO	839 (FT)		10.55	\$0.00	\$0.00	\$0.12
	SAI	1.00		22.96	\$0.00	\$0.00	\$0.33
	UGD_CU		2,655	39.43	\$0.00	\$0.00	\$0.57
	UGD_FO		6,374	11.35	\$0.00	\$0.00	\$0.14
FDR	XXX		10,358	286.36	\$0.00	\$0.00	\$4.28
REVENUE	REVENUE_T	0.00		0.00	\$0.00	\$0.00	\$0.00
STDSVC	ACCT	1.00		0.00	\$0.00	\$0.00	\$0.00
	BILLING	1.00		0.00	\$0.00	\$0.22	\$0.00
	EMPSUPT	1.00		0.00	\$0.00	\$0.09	\$0.00
	ENG_MV	1.00		0.00	\$0.00	\$0.00	\$0.00
	GPC_IS	1.00		0.00	\$0.00	\$0.13	\$0.00
	MISC	1.00		0.00	\$0.00	\$0.16	\$0.00
	NVS_EXP	1.00		0.00	\$0.00	\$0.04	\$0.00
	NVS_INV	1.00		0.00	\$0.00	\$0.00	\$0.00
	OCS	1.00		0.00	\$0.00	\$0.07	\$0.00
	REPR_MTC	1.00		0.00	\$0.00	\$2.13	\$0.00
	SALES	1.00		0.00	\$0.00	\$0.00	\$0.00
	SIC_INV	1.00		0.00	\$0.00	\$0.00	\$0.57
	SHR_COM	1.00		0.00	\$0.00	\$3.82	\$0.00
	TESTING	1.00		0.00	\$0.00	\$0.00	\$0.00
STDSVC	XXX			0.00	\$0.00	\$6.68	\$0.57
XXX	XXX		12,861	625.43	\$0.00	\$6.68	\$9.53

SUBSIDY PER LINE: \$16.21

INDETEC International and Pacific Bell

Cost Proxy Model © 1996

# CPM SUMMARY REPORT: UNBUNDLED LINK - DENSITY ZONES

COST PROXY MODEL: UNIVERSAL SERVICE EDITION  
UNBUNDLED LOOP  
DENSITY TYPE SPECIFIC DATA - ALL STATES, ALL COMPANIES

DENSITY TYPE	CABLE LENGTH (FT)	INVESTMENT (\$/LINE)	REVENUE (\$/LINE/MO)	OPERATING EXPENSE (\$/LINE/MO)	CAPITAL COST (\$/LINE/MO)	SUBSIDY (\$/LINE/MO)	LINES
21	47,557.15	\$7,187.17	\$0.00	\$8.32	\$95.81	\$104.13	77,082
22	35,548.46	\$2,316.79	\$0.00	\$8.21	\$32.68	\$40.89	268,128
23	24,257.52	\$1,741.34	\$0.00	\$7.59	\$24.77	\$32.36	348,418
24	18,103.45	\$851.87	\$0.00	\$7.22	\$13.02	\$20.24	768,422
25	13,385.93	\$621.85	\$0.00	\$6.77	\$9.67	\$16.44	3,260,958
26	11,421.61	\$483.99	\$0.00	\$6.53	\$7.61	\$14.14	5,820,827
27	8,379.08	\$321.29	\$0.00	\$6.38	\$5.05	\$11.43	2,251,089

INDETEC International and Pacific Bell

Cost Proxy Model © 1996

**CPM DETAIL REPORT: UNBUNDLED PORT - STATEWIDE AVERAGE**

COST PROXY MODEL: UNIVERSAL SERVICE EDITION  
UNBUNDLED PORT  
STATE SPECIFIC DATA - ALL STATES, ALL COMPANIES

STATE : CA  
LINES : 12,794,983

FAMILY	ELEMENT	NON-CABLE QUANTITY	CABLE LENGTH (FT)	INVESTMENT (\$)	REVENUE (\$/MO)	OPERATING EXPENSE (\$/MO)	CAPITAL COST (\$/MO)
DST	AER_CU		0	0.00	\$0.00	\$0.00	\$0.00
	BUR_CU		0	0.00	\$0.00	\$0.00	\$0.00
	COND_CU	0(FT)		0.00	\$0.00	\$0.00	\$0.00
	DROP	1.00		0.00	\$0.00	\$0.00	\$0.00
	POLE_CU	0(FT)		0.00	\$0.00	\$0.00	\$0.00
	TERMINAL	1.00		0.00	\$0.00	\$0.00	\$0.00
	UGD_CU		0	0.00	\$0.00	\$0.00	\$0.00
DST	XXX		0	0.00	\$0.00	\$0.00	\$0.00
FDR	AER_CU		0	0.00	\$0.00	\$0.00	\$0.00
	AER_FO		0	0.00	\$0.00	\$0.00	\$0.00
	BUR_CU		0	0.00	\$0.00	\$0.00	\$0.00
	BUR_FO		0	0.00	\$0.00	\$0.00	\$0.00
	COND_CU	0(FT)		0.00	\$0.00	\$0.00	\$0.00
	COND_FO	0(FT)			\$0.00	\$0.00	\$0.00
	COND_FO9	0(FT)			\$0.00	\$0.00	\$0.00
	PAIR_GN	0.43		0.00	\$0.00	\$0.00	\$0.00
	POLE_CU	0(FT)		0.00	\$0.00	\$0.00	\$0.00
	POLE_FO	0(FT)		0.00	\$0.00	\$0.00	\$0.00
	SAI	1.00		0.00	\$0.00	\$0.00	\$0.00
	UGD_CU		0	0.00	\$0.00	\$0.00	\$0.00
	UGD_FO		0	0.00	\$0.00	\$0.00	\$0.00
FDR	XXX		0	0.00	\$0.00	\$0.00	\$0.00
REVENU	REVENU_T	0.00		0.00	\$0.00	\$0.00	\$0.00
STDSVC	ACCT	1.00		0.00	\$0.00	\$0.00	\$0.00
	BILLING	1.00		0.00	\$0.00	\$0.05	\$0.00
	EMPSUPT	1.00		0.00	\$0.00	\$0.07	\$0.00
	ENG_MV	1.00		0.00	\$0.00	\$0.00	\$0.00
	GPC_IS	1.00		0.00	\$0.00	\$0.09	\$0.00
	MISC	1.00		0.00	\$0.00	\$0.13	\$0.00
	NVS_EXF	1.00		0.00	\$0.00	\$0.00	\$0.00
	NVS_INV	1.00		0.00	\$0.00	\$0.00	\$0.00
	OCS	1.00		0.00	\$0.00	\$0.05	\$0.00
	REPR_MTC	1.00		0.00	\$0.00	\$0.62	\$0.00
	SALES	1.00		0.00	\$0.00	\$0.05	\$0.00
	SEC_INV	1.00		0.00	\$0.00	\$0.00	\$0.00
	SHR_COM	1.00		0.00	\$0.00	\$0.86	\$0.00
	TESTING	1.00		0.00	\$0.00	\$0.00	\$0.00
STDSVC	XXX			0.00	\$0.00	\$1.94	\$0.00
SW/IO	SW_LT	1.00		112.88	\$0.00	\$0.00	\$1.65
SW/IO	XXX			112.88	\$0.00	\$0.00	\$1.65
XXX	XXX		0	112.88	\$0.00	\$1.94	\$1.65

SUBSIDY PER LINE: 53.59

INDETEC International and Pacific Bell

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**CPM SUMMARY REPORT: UNBUNDLED PORT - DENSITY ZONES**

COST PROXY MODEL: UNIVERSAL SERVICE EDITION  
 UNBUNDLED PORT  
 DENSITY TYPE SPECIFIC DATA - ALL STATES, ALL COMPANIES

DENSITY TYPE	CABLE LENGTH (FT)	INVESTMENT (\$/LINE)	REVENUE (\$/LINE/MO)	OPERATING EXPENSE (\$/LINE/MO)	CAPITAL COST (\$/LINE/MO)	SUBSIDY (\$/LINE/MO)	LINES
Z1	47,557.25	\$173.28	\$0.00	\$2.41	\$2.54	\$4.95	77,082
Z2	35,548.46	\$164.41	\$0.00	\$2.38	\$2.41	\$4.79	268,128
Z3	24,257.52	\$145.94	\$0.00	\$2.20	\$2.14	\$4.34	348,418
Z4	18,103.45	\$134.96	\$0.00	\$2.09	\$1.98	\$4.07	768,422
Z5	13,385.93	\$118.87	\$0.00	\$1.96	\$1.74	\$3.70	3,260,958
Z6	11,421.61	\$109.54	\$0.00	\$1.89	\$1.60	\$3.49	5,820,827
Z7	8,379.08	\$91.99	\$0.00	\$1.85	\$1.35	\$3.20	2,251,089

INDETEC International and Pacific Bell

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# CPM DETAIL REPORT: UNBUNDLED LOCAL SWITCHING MOU - STATEWIDE AVG

COST PROXY MODEL: UNIVERSAL SERVICE EDITION  
UNBUNDLED LOCAL MOU  
STATE SPECIFIC DATA - ALL STATES ALL COMPANIES

STATE : CA  
LINES : 12,794,983

FAMILY	ELEMENT	NON-CABLE QUANTITY	CABLE LENGTH (FT)	INVESTMENT (\$)	REVENUE (\$/MO)	OPERATING EXPENSE (\$/MO)	CAPITAL COST (\$/MO)
DST	AER_CU		0	0.00	\$0.00	\$0.00	\$0.00
	BUR_CU		0	0.00	\$0.00	\$0.00	\$0.00
	COND_CU	0(FT)		0.00	\$0.00	\$0.00	\$0.00
	DROP	1.00		0.00	\$0.00	\$0.00	\$0.00
	POLE_CU	0(FT)		0.00	\$0.00	\$0.00	\$0.00
	TERMINAL	1.00		0.00	\$0.00	\$0.00	\$0.00
	UGD_CU		0	0.00	\$0.00	\$0.00	\$0.00
DST	XXX		0	0.00	\$0.00	\$0.00	\$0.00
FDR	AER_CU		0	0.00	\$0.00	\$0.00	\$0.00
	AER_FO		0	0.00	\$0.00	\$0.00	\$0.00
	BUR_CU		0	0.00	\$0.00	\$0.00	\$0.00
	BUR_FO		0	0.00	\$0.00	\$0.00	\$0.00
	COND_CU	0(FT)		0.00	\$0.00	\$0.00	\$0.00
	COND_FO	0(FT)			\$0.00		
	COND_FO9	0(FT)			\$0.00		
	PAIR_GN	0.43		0.00	\$0.00	\$0.00	\$0.00
	POLE_CU	0(FT)		0.00	\$0.00	\$0.00	\$0.00
	POLE_FO	0(FT)		0.00	\$0.00	\$0.00	\$0.00
	SAI	1.00		0.00	\$0.00	\$0.00	\$0.00
	UGD_CU		0	0.00	\$0.00	\$0.00	\$0.00
	UGD_FO		0	0.00	\$0.00	\$0.00	\$0.00
FDR	XXX		0	0.00	\$0.00	\$0.00	\$0.00
REVENU	REVENU_T	0.00		0.00	\$0.00	\$0.00	\$0.00
STDSVC	REPR_MTC	1.00		0.00	\$0.00	\$0.19	\$0.00
	SHR_COM	1.00		0.00	\$0.00	\$0.56	\$0.00
STDSVC	XXX			0.00	\$0.00	\$0.76	\$0.00
SW/IO	SW_MOU_F	446.91		113.65	\$0.00	\$0.00	\$1.66
SW/IO	XXX			113.65	\$0.00	\$0.00	\$1.66
XXX	XXX		0	113.65	\$0.00	\$0.76	\$1.66

SUBSIDY PER LINE: \$2.42



INDETEC International and Pacific Bell

Cost Proxy Model © 1996

# CPM DETAIL REPORT: UNBUNDLED LOCAL SWITCHING MOU- DENSITY ZONES

COST PROXY MODEL: UNIVERSAL SERVICE EDITION  
UNBUNDLED LOCAL MOU  
DENSITY TYPE SPECIFIC DATA - ALL STATES, ALL COMPANIES

DENSITY TYPE	CABLE LENGTH (FT)	INVESTMENT (\$/LINE)	REVENUE (\$/LINE/MO)	OPERATING EXPENSE (\$/LINE/MO)	CAPITAL COST (\$/LINE/MO)	SUBSIDY (\$/LINE/MO)	LINES
Z1	47,887.15	\$118.37	\$0.00	\$0.94	\$1.73	\$2.67	77,082
Z2	35,548.46	\$117.22	\$0.00	\$0.93	\$1.72	\$2.65	268,128
Z3	24,257.52	\$117.66	\$0.00	\$0.86	\$1.72	\$2.38	348,418
Z4	18,103.45	\$113.68	\$0.00	\$0.82	\$1.67	\$2.49	768,422
Z5	13,385.93	\$112.06	\$0.00	\$0.77	\$1.64	\$2.41	3,260,958
Z6	11,421.61	\$119.12	\$0.00	\$0.74	\$1.74	\$2.48	5,820,827
Z7	8,379.08	\$100.60	\$0.00	\$0.72	\$1.47	\$2.19	2,251,089

INDETEC International and Pacific Bell

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**CPM DETAIL REPORT: UNBUNDLED LOCAL SWITCHING MSG - STATEWIDE AVG**

COST PROXY MODEL: UNIVERSAL SERVICE EDITION

UNBUNDLED LOCAL MSG

STATE SPECIFIC DATA - ALL STATES, ALL COMPANIES

STATE : CA  
LINES : 12,794,983

FAMILY	ELEMENT	NON-CABLE QUANTITY	CABLE LENGTH (FT)	INVESTMENT (\$)	REVENUE (\$/MO)	OPERATING EXPENSE (\$/MO)	CAPITAL COST (\$/MO)
DST	AER_CU		0	0.00	\$0.00	\$0.00	\$0.00
	BUR_CU		0	0.00	\$0.00	\$0.00	\$0.00
	COND_CU	0 (FT)		0.00	\$0.00	\$0.00	\$0.00
	DROP	1.00		0.00	\$0.00	\$0.00	\$0.00
	POLE_CU	0 (FT)		0.00	\$0.00	\$0.00	\$0.00
	TERMINAL	1.00		0.00	\$0.00	\$0.00	\$0.00
	UGD_CU		0	0.00	\$0.00	\$0.00	\$0.00
DST	XXX		0	0.00	\$0.00	\$0.00	\$0.00
FDR	AER_CU		0	0.00	\$0.00	\$0.00	\$0.00
	AER_FO		0	0.00	\$0.00	\$0.00	\$0.00
	BUR_CU		0	0.00	\$0.00	\$0.00	\$0.00
	BUR_FO		0	0.00	\$0.00	\$0.00	\$0.00
	COND_CU	0 (FT)		0.00	\$0.00	\$0.00	\$0.00
	COND_FO	0 (FT)			\$0.00		
	COND_FOG	0 (FT)			\$0.00		
	PAIR_GN	0.43		0.00	\$0.00	\$0.00	\$0.00
	POLE_CU	0 (FT)		0.00	\$0.00	\$0.00	\$0.00
	POLE_FO	0 (FT)		0.00	\$0.00	\$0.00	\$0.00
	SAI	1.00		0.00	\$0.00	\$0.00	\$0.00
	UGD_CU		0	0.00	\$0.00	\$0.00	\$0.00
	UGD_FO		0	0.00	\$0.00	\$0.00	\$0.00
FDR	XXX		0	0.00	\$0.00	\$0.00	\$0.00
REVENU	REVENU_T	0.00		0.00	\$0.00	\$0.00	\$0.00
STDSVC	REPR_MTC	1.00		0.00	\$0.00	\$0.03	\$0.00
	SHR_CGM	1.00		0.00	\$0.00	\$0.08	\$0.00
STDSVC	XXX			0.00	\$0.00	\$0.11	\$0.00
SW/IO	SW_MSG_F	119.22		16.66	\$0.00	\$0.00	\$0.24
SW/IO	XXX			16.66	\$0.00	\$0.00	\$0.24
XXX	XXX		0	16.66	\$0.00	\$0.11	\$0.24

SUBSIDY PER LINE: 30.35

INDETEC International and Pacific Bell

Cost Proxy Model © 1996

# CPM DETAIL REPORT: UNBUNDLED LOCAL SWITCHING MSG- DENSITY ZONES

COST PROXY MODEL: UNIVERSAL SERVICE EDITION  
UNBUNDLED LOCAL MSG  
DENSITY TYPE SPECIFIC DATA - ALL STATES, ALL COMPANIES

DENSITY TYPE	CABLE LENGTH (FT)	INVESTMENT (\$/LINE)	REVENUE (\$/LINE/MO)	OPERATING EXPENSE (\$/LINE/MO)	CAPITAL COST (\$/LINE/MO)	SUBSIDY (\$/LINE/MO)	LINES
21	47,557.15	\$19.83	\$0.00	\$0.14	\$0.29	\$0.43	77,082
22	35,548.46	\$19.28	\$0.00	\$0.14	\$0.28	\$0.42	268,128
23	28,257.52	\$19.26	\$0.00	\$0.13	\$0.28	\$0.41	348,418
24	18,103.45	\$18.10	\$0.00	\$0.12	\$0.27	\$0.39	768,422
25	13,985.93	\$16.48	\$0.00	\$0.12	\$0.24	\$0.36	3,260,958
26	11,421.61	\$17.29	\$0.00	\$0.11	\$0.25	\$0.36	5,820,827
27	8,379.08	\$13.96	\$0.00	\$0.11	\$0.20	\$0.31	2,251,009